

SOCIAL TRADERS

ANNUAL
REPORT
2016

Social Traders Limited
ABN 42 132 665 804
Annual Report
For the year ended
30 June 2016



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Social Traders Ltd
A.B.N. 42 132 665 804

Message from the Chair
For the year ended 30 June 2016

Social enterprise in Australia continues to evolve rapidly with increasing interest from government, business, investors and consumers. As a leading contributor to the growth of social enterprise in Australia it is with pride I acknowledge that Social Traders has reached its eighth successive year of operation.

As Australia's leading social enterprise development organisation, Social Traders was recognised nationally this year, by being ranked in the top 10 most innovative organisations within Australia's Not for Profit sector by the GiveEasy Innovation Index. This is a positive reflection on the work of Social Traders and affirms our approach, strategies and thought leadership.

As a result of rising interest there is a corresponding growth in the range of services available to social enterprise. While this increase in available services benefits the expansion, visibility and viability of social enterprise, it also drives Social Traders to continually refine its focus and strategy.

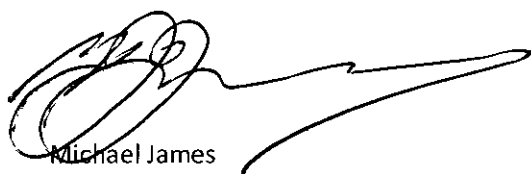
Since 2009 Social Traders has supported over 3,500 social enterprises nationally across a suite of business support and investment services and generated more than \$40million in procurement opportunities for social enterprise. In Victoria alone, Social Traders has directly invested \$1.6 million in 12 new social enterprises, which has generated \$6 million in new capital and benefited around 32,000 people.

While the Social Traders Board has provided great stability over the years, renewal is a key priority to enable ongoing strategic review and organisational development. This year we welcomed Jason Glanville to the Social Traders Board. Jason comes with great experience and expertise, and we are delighted to have him join the Company's Board of Directors.

Over eight years of operation, Social Traders has focused on collaborating with government, business and philanthropy. It is a result of these partnerships that Social Traders has managed to increase the profile and awareness of social enterprise as a viable business model to address disadvantage and enabled our organisation to generate significant social impact. I acknowledge the support of our major, long-term partners, many of Australia's most recognised and respected organisations including Australia Post, Ian Potter Foundation, Westpac, Lord Mayors Charitable Foundation, PwC, Sustainability Victoria and the Melbourne Business School at the University of Melbourne.

Social Traders also acknowledges and remains immensely grateful to its foundation partners - the Victorian State Government and the Dara Foundation. We continue to actively pursue partnership and funding opportunities with government, philanthropy and private sector businesses to support our mission of growing the impact of social enterprise in Australia.

It is through a combination of clear strategic direction and ongoing collaboration that, I believe, positions Social Traders to play an even bigger role in addressing disadvantage in our communities in the next 12 months and years to come.



Michael James
Chair

Managing Director's Report For the year ended 30 June 2016

Prime Minister Turnbull's National Innovation and Science Agenda released in December last year represents positive political leadership in creating an Australia that values new ideas, business and technology. Innovation is not synonymous with technology. Social Traders believes that social enterprise – as a business model - represents innovation by finding new ways to tackle disadvantage either through employment or providing access to services.

There are currently 20,000 social enterprises in Australia generating 2-3% of GDP and employing 300,000 people. Social Traders vision for 2025 is for social enterprise to contribute substantially more. In the next decade Social Traders believes social enterprise can contribute up to 4% of GDP and employ around 500,000 Australians.

Contributing to this social enterprise 2025 vision, Social Traders' Connect was launched in November 2015. As the only service linking corporate and government buyers to certified social enterprises in Australia, Connect represents a significant opportunity for growing the impact, reach and visibility of social enterprise. Social Traders Connect currently has 15 buyer members and more than 150 certified social enterprises with strong potential to grow over the coming year and beyond.

In line with the intended outcomes of Social Traders' Connect, the findings of national research *Finding Australia's Social Enterprise Sector 2016* highlighted social procurement as the single biggest opportunity for social enterprise growth in Australia. Released in June 2016, this research was conducted in partnership between Social Traders and the Centre for Social Impact Swinburne University. By exploring the scope and activity of social enterprise in Australia along with their challenges and opportunities, this research provides important evidence to inform future policy settings and the development of appropriate resources, tools and support services.

As part of our ongoing commitment to increase the number of sustainable and investment-ready social enterprises, Social Traders business skills and capacity building program Crunch, worked with 39 enterprise proposals in Victoria and NSW over the past 12 months. To date, Social Traders has provided around \$2.5 million in financial and business support to 12 social enterprises in our investment portfolio. We plan to significantly expand Social Traders Portfolio activities over coming years in conjunction with philanthropic and government partners.

Through our desire to raise the visibility and profile of social enterprise in Australia, Social Traders hosted the third consecutive national Social Traders Masters Conference on 7-8 June 2016. For the first time, this event was hosted as a two day event, separated from the Social Enterprise Awards. The theme of the event was *Realising the Future of Social Enterprise* and was attended by 260 delegates. The Social Enterprise Awards will be hosted in November 2016.

Our belief is that by bringing together the influencers, contributors, supporters and practitioners through national activities such as research, conferences and Awards, that social enterprise is better recognised for its significant role in addressing economic and social exclusion for many in our society. It is through this recognition and unity that social enterprise has the opportunity to reach its full potential.



David Brookes
Managing Director

Corporate Governance Statement

The Board of Directors of Social Traders is committed to good governance. Directors acknowledge they have a duty to stakeholders to establish and maintain a framework that will achieve a high standard of governance appropriate to the Company's size and complexity.

The Company is not obliged to comply with ASX Corporate Governance Principles; however the Board of Directors has resolved to adopt the ASX Corporate Governance Principles and Recommendations where appropriate.

For the year ended 30 June 2016 the Company adopted policies to align with Principles 1 – 8 of the ASX Corporate Governance Principles and Recommendations 2014 (3rd Edition).

In March 2013, the Company registered with the Australian Charities and Not-for-profits Commission (ACNC). The Board has reviewed the ACNC's five governance standards, which took effect from 1 July 2013. The Board considers that the Company meets these standards under its corporate governance policies.

The Company's Corporate Governance Statement can be found on Social Traders website:
www.socialtraders.com.au

Social Traders Ltd
A.B.N. 42 132 665 804

Financial Report
for the year ended
30 June 2016

Social Traders Ltd
A.B.N. 42 132 665 804

Directors' Report
for the year ended 30 June 2016

The Directors present the Financial Report on the Company for the year ended 30 June 2016.

Board of Directors

The Directors of the Company at any time during the financial year or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated.

Director	Director Type	Date of Original Appointment	Date Last Reappointed	Committee Membership
Michael James	Non-executive (Chair)	01/11/2008	31/07/2013	Audit, Risk & Governance Human Resources & Nominations
Patricia Edwards	Non-executive (Deputy Chair)	01/07/2010	21/08/2015	Audit, Risk & Governance Business Development & Marketing
Peter Bramwell	Non-executive	06/04/2009	21/08/2015	Audit, Risk & Governance
David Brookes	Managing Director	25/02/2009	31/07/2013	Audit, Risk & Governance Business Development & Marketing Human Resources & Nominations
Helen Fenney	Non-executive	10/09/2008	29/08/2012	Business Development & Marketing Human Resources & Nominations
Simon Gillies	Non-executive	27/10/2010	31/07/2013	
Jason Glanville	Non-executive	25/02/2016		
Matt Pfahlert	Non-executive	31/10/2012		Business Development & Marketing

Company Secretary

Sarah Jones has been the Company Secretary since February 2014.

Principal Activities

The Company is a specialist social enterprise development organisation and aims to support the growth of such enterprises across Australia. The Company's mission is to rapidly accelerate the importance of social enterprise and social procurement in Australia by demonstrating the potential of social enterprise to create jobs for marginalized groups, increase access to services and strengthen local communities and economies.

The Company received its core funding from the Victorian State Government and the Dara Foundation (the Foundation). Funding is provided under the terms of separate funding agreements with the Victorian State Government and the Foundation. Both agreements require Social Traders to submit six monthly progress reports.

Directors' Report for the year ended 30 June 2016

Objectives

The Company's key objectives include:

- Grow the visibility, voice and value of social enterprise
- Build a pipeline of innovative and viable social enterprises
- Open new government and corporate markets to social enterprises

Strategies

Grow the visibility, voice and value of social enterprise

- Establish Social Traders as the national industry leader for social enterprise
- Inform and influence the policy agenda and future direction of social enterprise through research, program innovation, conferences, awards and thought-leadership
- Collect and publish the definitive data on the scale, diversity, social and economic value of social enterprise in Australia
- Grow the understanding of social enterprise through campaigns, events, information and resources
- Empower social enterprises to promote themselves and grow their visibility

Build a pipeline of innovative and viable social enterprises

- Grow the reach of Social Traders Crunch program to accelerate new and growing social enterprises in Victoria and NSW to become investment and market-ready
- Create a sustainable Social Investment Portfolio to invest in and support high-growth potential early-stage social enterprises
- Provide tailored advisory services on a fee for service basis to social enterprise clients

Open new government and corporate markets to social enterprises

- Scale Social Traders Connect to deliver significant new revenue for certified social enterprises from government and corporate buyers
- Build a network of government and businesses that are actively engaging in social procurement
- Provide tailored advice to corporates and governments on how to implement social procurement practices and policies

Key Performance Measures

The Company measures its performance (including any key performance indicators) by:

- Preparing an annual plan approved by the Board setting out proposed deliverables and milestones in relation to each of the Company's strategic objectives
- Regular reporting to the Board on the Company's activities and progress in relation to agreed deliverables and milestones
- Half yearly reports to the Company's core funders on the Company's activities and progress in relation to agreed deliverables and milestones
- Setting an annual budget and measuring performance against it on a monthly basis
- An annual assessment of senior management performance against the delivery of strategic objectives

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2016

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year to the date of this report which significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Dividends

Social Traders is a company limited by guarantee whose constitution does not permit the payment of dividends. Accordingly no dividend payments have been made.

Information on Directors

Michael James Non-executive Director (Chair)

B. Com., Chartered Accountant, former Partner PricewaterhouseCoopers
Director, Brotherhood of St. Laurence
GAICD

Patricia Edwards Non-executive Director (Deputy Chair)

Director, Patricia Toohey & Partners Pty Ltd
Senior Associate, ACIL Allen Consulting Group
Post Grad Cross Sector Partnership, Cambridge
GAICD
PBAS (internationally accredited partnership broker)

Peter Bramwell Non-executive Director

Consultant, JRT Partnership Pty Ltd
Lawyer LLB., BCom.
MAICD

David Brookes Managing Director

Managing Director, Social Traders Ltd
B. Com., Diploma Company Directors Course
Senior management experience with Rio Tinto, Toyota and Amcor
Local Government, NSW
GAICD

Helen Fenney Non-executive Director

Director, Fenney & Letts Pty Ltd
MBA Melbourne Business School
Grad. Dip. Counselling RMIT
BA (Hons) University of Hull
PBAS (internationally accredited partnership broker)

Social Traders Ltd
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Directors' Report
for the year ended 30 June 2016

Simon Gillies **Non-executive Director**

Senior Partner, PricewaterhouseCoopers
B.Sc. (HONS) University of Melbourne
MBA Melbourne Business School

Jason Glanville **Non-executive Director**

Chair of the Australian Indigenous Governance Institute
Director of Reconciliation Australia
Member of the AFL Indigenous Advisory Group

Matthew Pfahlert **Non-executive Director**

Co-founder & CEO of the Australian Centre for Rural Entrepreneurship Ltd
Principal of Social Enterprise Unlimited
Director, Telstra Foundation
B.A (Rec) Footscray Institute of Technology
Grad Dip Family and Systems Therapy – Swinburne

Meetings of Directors

During the year ended 30 June 2016, six meetings of Directors were held. Attendances by each Director were as follows:

	Attended	Eligible
Michael James	6	6
Patricia Edwards	6	6
Peter Bramwell	4	6
David Brookes	6	6
Helen Fenney	6	6
Simon Gillies	5	6
Jason Glanville	1	3
Matthew Pfahlert*	3	4

*Matthew Pfahlert was granted leave of absence from the board for the period 31st October 2015 to 21st April 2016.

Directors' Report
for the year ended 30 June 2016

Non-executive Directors Compensation

No fees, salaries, bonuses or other remuneration were paid to the Non-executive Directors in their capacity as Board members during the year ended 30 June 2016 and up to the date of this report.

Indemnified Officers

During the year and subsequent to the date of this report, the Company has given an indemnity or entered an Agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has cover in place to insure each of the above Directors against liabilities and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Proceedings on behalf of the Company

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

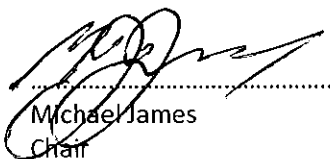
Limited Liability

The Company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. The Constitution of the Company provides that the liability of Members is limited. Every Member undertakes to contribute \$25 to the assets of the Company if it is wound up while he or she is a Member, or within one year afterwards. At 30 June 2016 the collective liability of members was \$200 (2015: \$175).

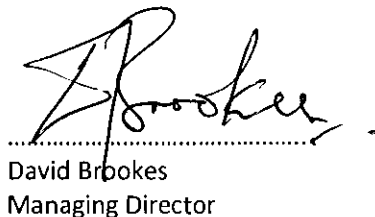
Auditor's Independence Declaration

The Auditor's Independence Declaration for the year has been received and can be found on the following page of the Annual Report.

Signed in accordance with a resolution of the Board of Directors.



Michael James
Chair



David Brookes
Managing Director

25th August 2016



Armstrong Dubois

CHARTERED ACCOUNTANTS

**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001
To the Directors of Social Traders Ltd**

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Armstrong Dubois

David Armstrong
Partner

Melbourne
25 August 2016

Social Traders Ltd
A.B.N. 42 132 665 804

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	2	2,895,824	3,066,494
Depreciation	3	(19,243)	(19,787)
Employee Expenses	2	(2,081,977)	(1,775,749)
Contributions	2	(818)	(60,015)
Fair value adjustment of Social Investment Portfolio	2	92,084	(224,060)
Other expenses from ordinary activities		(1,182,897)	(928,393)
Surplus/(Deficit) for the year		<u>(297,027)</u>	<u>58,490</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>(297,027)</u>	<u>58,490</u>

The accompanying notes form part of these financial statements

Social Traders Ltd
A.B.N. 42 132 665 804

Statement of Financial Position
as at 30 June 2016

	Notes	2016	2015
		\$	\$
Current Assets			
Cash Assets	4	4,585,419	4,462,561
Debtors	5	177,039	532,751
Social Investment Portfolio (SIP)	6.1	88,000	44,000
Total Current Assets		<u>4,850,458</u>	<u>5,039,312</u>
Non-Current Assets			
Property, Plant & Equipment	7	59,274	65,703
Social Investment Portfolio (SIP)	6.1	259,000	256,975
Total Non-Current Assets		<u>318,274</u>	<u>322,678</u>
Total Assets		<u>5,168,732</u>	<u>5,361,990</u>
Current Liabilities			
Payables	8	265,858	248,708
Provisions	9	188,014	189,059
Deferred revenue	10	1,452,184	1,350,155
Total Current Liabilities		<u>1,906,056</u>	<u>1,787,922</u>
Non-Current Liabilities			
Provisions	9	10,000	24,365
Total Non-Current Liabilities		<u>10,000</u>	<u>24,365</u>
Total Liabilities		<u>1,916,056</u>	<u>1,812,287</u>
Net Assets		<u>3,252,676</u>	<u>3,549,703</u>
Equity			
Current year Surplus/(Deficit)		(297,027)	58,490
Retained Surplus		3,549,703	3,491,213
Total Equity		<u>3,252,676</u>	<u>3,549,703</u>

The accompanying notes form part of these financial statements

Social Traders Ltd
A.B.N. 42 132 665 804

Statement of Changes in Equity
for the year ended 30 June 2016

	Retained Surplus
	\$
Balance at 30 June 2014	<u>3,491,213</u>
Total comprehensive income for the year	<u>58,490</u>
Balance at 30 June 2015	<u>3,549,703</u>
Total comprehensive (loss) for the year	<u>(297,027)</u>
Balance at 30 June 2016	<u><u>3,252,676</u></u>

The accompanying notes form part of these financial statements

Social Traders Ltd
A.B.N. 42 132 665 804

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016	2015
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		3,123,146	2,928,667
Payments to suppliers and employees		(3,127,324)	(2,904,216)
Contributions to SIP* participants		(32,043)	(78,930)
Interest received		125,845	136,915
Net cash inflows from operating activities	11	89,624	82,436
Cash flows from investing activities			
Payments for property, plant and equipment		(12,825)	(28,981)
Proceeds from sales of non-current assets		-	7,123
Loans to SIP* participants		(38,525)	(64,585)
Loans repaid by SIP* participants	6.2	84,584	80,440
Net cash inflows/ (outflows) from investing activities		33,234	(6,003)
Cash flows from financing activities		-	-
Net cash flows from financing activities		-	-
Net increase in cash held		122,858	76,433
Cash at the beginning of the financial year		4,462,561	4,386,128
Cash at the end of the financial year	4	4,585,419	4,462,561

* Social Investment Portfolio (SIP)

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

(a) Adoption of new and revised accounting standards

The Company adopts all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to the operations and effective to the current annual reporting period. For the reporting year to 30 June 2016, there was no adoption of new or revised accounting standards issued which would impact the reported financial position, financial performance and cash flows of the Company or accompanying notes.

(b) Basis of preparation

Statement of Compliance

The Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the Company in the preparation of the Financial Report that have been consistently applied unless stated otherwise.

Basis of measurement

The Financial Report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Costs are based on the fair values of the consideration given in exchange for assets.

Currency

The Financial Report is presented in Australian dollars, which is the functional currency of the Company.

Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(c) Income Tax

The Company is not liable for Income Tax. The Company is endorsed by the Australian Taxation Office as a Charitable Institution and has an Income Tax exemption under subdivision 50-B of the Income Tax Assessment Act 1997 (ITAA).

During the year the Company has undertaken an annual self-assessment of eligibility for Income Tax Exemption and considers the Company remains eligible for endorsement.

(d) Impairment of assets

All financial assets are assessed at the reporting date to determine whether any may be impaired. This refers principally to loans made to social enterprises.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis.

In assessing individual impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of potential loss incurred. Carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists and where carrying values exceed the recoverable amount, the asset is written down to the recoverable amount. Recoverable amount is fair value less costs of recovery.

(e) Social Investment Portfolio (SIP)

The Company maintains a Social Investment Portfolio (SIP) to invest in, and provide support to, social enterprises in a manner consistent with the purposes and objectives of the Company. The amount to be transferred into the SIP is determined by the board. Funds transferred to the SIP are currently held in Australian bank deposits.

The income and expenses of the SIP are separately disclosed in Note 2 – Segment Reporting. Assets and the current position of the SIP are disclosed in Note 6.

The investments are made in two forms:

- (i) non-repayable contributions; and
- (ii) loans

(f) Property, plant & equipment

Property, plant & equipment are recognised and recorded at cost less depreciation and any impairment.

Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(g) Depreciation

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Class of Asset	Useful Life
Electronic equipment	up to 3 years
Office equipment	up to 5 years
Leasehold improvements	up to 8 years

All items of property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts. Recoverable amounts are based upon present value of expected future cash flows.

Gains or losses on disposals are determined by comparing proceeds with carrying value. These are included in the statement of profit or loss.

(h) Employee Benefits

The provision for employee entitlements to annual leave is accrued at nominal amounts calculated on the basis of current wage and salary rates.

The liability for long service leave has been calculated for services in excess of five years for all staff.

On-costs for superannuation and workcover insurance have been included in the employee entitlement provision.

Contributions to employee superannuation plans are paid on a quarterly basis and charged as an expense in the period in which wages & salaries are paid or accrued.

(i) Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Notes to the Financial Statements
for the year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(j) Income

Around half of the revenue for the period has been derived from core funding. Other revenue includes grant revenue, sponsorship revenue, trading revenue, investment revenue, contribution of Pro Bono services from supporters and sundry income. The Company has recognised contributions of Pro Bono services as income and expenses for the first time for the year ended 30 June 2016. All income has been recorded as per the requirements specific to not-for-profit entities as set out in Accounting Standard AASB 1004 Contributions. Where income has been invoiced or received in the current period in respect of resources and services to be provided in future periods, the unearned component has been deferred as appropriate.

(k) Economic Dependence

The Company is dependent on the Victorian Government and the Dara Foundation for the majority of its operating revenue with agreements in place to provide funding of \$6.5m (exclusive of GST) for the period 1st January 2013 to 31st December 2016.

The Company continues to pursue opportunities for future funding for its activities. Encouraging support has been received from government and philanthropic organisations.

Further details of the funding are disclosed in Note 13 – Contingent Asset/Liability.

(l) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the Lessor, are charged as expenses in the periods in which they are incurred.

The Company does not hold any finance leases.

(m) Deductible Gift Recipient

The Company has been endorsed as a Deductible Gift Recipient (DGR), effective from 1 July 2013. The Company has established a Public Fund, to receive Gifts and Deductible Contributions in support of the Company's purpose. All donations are recorded in the Social Traders Public Fund bank account.

During the year the Company has undertaken an annual self-assessment of eligibility for Deductible Gift Recipient and considers the Company remains eligible for endorsement.

(n) Comparative Amounts

When current period balances have been classified differently within current period disclosures when compared to prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

Social Traders Ltd
A.B.N. 42 132 665 804

Notes to the Financial Statements
for the year ended 30 June 2016

Note 2 - Segment Reporting

2.1 Segment Information

The Company is managed in two main operating segments:

(i) Operations relating to the Social Investment Portfolio (SIP) from which the Company offers support to, and makes financial investments in, social enterprises; and

(ii) Operations relating to all other activities directed at supporting social enterprises and the sector (SE Support).

These two activities have inherently different risk profiles and performance assessment criteria and as a result are considered by the Board of Directors to be best managed and reported separately. Internal reports on the activity of each sector are received by the Board and are used in assessing the best allocation of Company resources.

2.2 Segment Performance

	2016			2015		
	SIP	SE Support	Total	SIP	SE Support	Total
Revenue						
Monetary						
Core funding	-	1,349,683	1,349,683	428,270	1,213,080	1,641,350
Program grants & sponsorship	-	756,444	756,444	-	1,077,540	1,077,540
Interest on funds invested	56,718	64,758	121,477	60,398	87,272	147,670
Trading activity	-	397,709	397,709	-	199,934	199,934
Total monetary revenue	56,718	2,568,595	2,625,313	488,668	2,577,826	3,066,494
Non-monetary						
Contributions-in-Kind	-	270,511	270,511	-	-	-
Total Segment Revenue	56,718	2,839,106	2,895,824	488,668	2,577,826	3,066,494
Operating Expenses						
Monetary						
Employment expenses	237,516	1,844,461	2,081,977	170,874	1,604,875	1,775,749
Contributions to enterprises	-	818	818	75,000	(14,985)	60,015
Direct program expenses	11,702	559,147	570,849	2,649	544,758	547,407
Governance & administration expenses	52,051	308,729	360,780	42,333	358,440	400,773
Fair value adjustment of SIP	(92,084)	-	(92,084)	224,060	-	224,060
Non-monetary						
Contributions-in-Kind	-	270,511	270,511	-	-	-
Total operating expenses	209,185	2,983,666	3,192,851	514,916	2,493,088	3,008,004
Segment net surplus/(deficit)	(152,467)	(144,560)	(297,027)	(26,248)	84,738	58,490

2.3 Contributions

Contributions

The Company continued to provide substantial in-kind business support to the enterprises in the SIP, however it did not make any new financial contributions to social enterprises that participated in the Crunch program or as part of investment offers to social enterprises from the SIP (2015: \$60,015).

Contribution commitments at year end

Current commitments \$18,750 (2015: \$49,975)

Social Traders Ltd
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Notes to the Financial Statements
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
3 Expenses			
Operating surplus includes the following specific expenses:			
Depreciation of non-current assets			
Electronic equipment	7	8,762	6,643
Office equipment	7	3,447	6,886
Leasehold improvements	7	7,034	6,258
		<u>19,243</u>	<u>19,787</u>
Profit/(Loss) from sale of non-current assets		(11)	2,334
Provision for employee entitlements		15,815	48,287
Auditor's remuneration:			
Auditing the financial statements		10,460	10,150
Other services provided		5,700	5,300
4 Cash Assets			
Cash at bank			
Social Traders SE Support account		2,766,583	2,910,248
Social Traders Public Fund account		68,836	52,313
Social Investment Portfolio (SIP) account	6	1,750,000	1,500,000
		<u>4,585,419</u>	<u>4,462,561</u>
Weighted average effective interest rate at 30 June		2.45%	2.53%
5 Debtors			
Trade & other debtors		177,039	111,259
Grants receivable		-	421,492
		<u>177,039</u>	<u>532,751</u>

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Notes to the Financial Statements
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
6 Social Investment Portfolio (SIP)			
6.1 Financial Position of SIP			
Current assets			
Loans to enterprises		206,365	168,925
Less provision for Loan Impairment		(118,365)	(124,925)
		88,000	44,000
Non- current assets			
Loans to enterprises		422,207	533,122
Less provision for Loan Impairment		(163,207)	(276,147)
		259,000	256,975
Total SIP loans and investments		347,000	300,975
Plus			
SIP cash on hand	4	1,750,000	1,500,000
Total SIP balance at year end:		2,097,000	1,800,975
Less			
Current committed advances			
Non-repayable contributions	9	(18,750)	(49,975)
Loans	9	(75,000)	(113,525)
Total uncommitted funds at year end available for future SIP initiatives		2,003,250	1,637,475

Notes to the Financial Statements
for the year ended 30 June 2016

6.2 Social Investment Portfolio (SIP)

Loans made during year and loan commitments at year end

Loans made during the year

The Company continued to provide substantial in-kind business support to the enterprises in the SIP, however it did not make any new loans to social enterprises as part of investment offers from the SIP (2015: \$64,585). Loan repayments received during the year were \$84,584 (2015: \$80,440).

These loans form part of the SIP assets and committed balances at 30 June 2016 (Note 6.1).

At 30 June 2016 a total provision for impairment of \$281,572 (2015: \$401,072) has been recognised.

Loan commitments at year end

Current commitments \$75,000 (2015: \$113,525)

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Notes to the Financial Statements
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
7 Property, Plant & Equipment			
Non-current			
Electronic equipment at cost		52,699	44,559
less accumulated depreciation		<u>(34,231)</u>	<u>(28,521)</u>
		18,468	16,038
Office equipment at cost		34,087	33,627
less accumulated depreciation		<u>(26,829)</u>	<u>(23,382)</u>
		7,258	10,245
Leasehold improvements at cost		56,927	55,765
less accumulated depreciation		<u>(23,379)</u>	<u>(16,345)</u>
		33,548	39,420
Total Property, Plant & Equipment		<u><u>59,274</u></u>	<u><u>65,703</u></u>
Reconciliation of electronic equipment			
Carrying amount at beginning of year		16,038	10,915
Additions		11,203	15,156
Disposals		(11)	(3,390)
Depreciation	3	<u>(8,762)</u>	<u>(6,643)</u>
Carrying amount at end of year		<u><u>18,468</u></u>	<u><u>16,038</u></u>
Reconciliation of office equipment			
Carrying amount at beginning of year		10,245	18,040
Additions		460	490
Disposals		-	(1,399)
Depreciation	3	<u>(3,447)</u>	<u>(6,886)</u>
Carrying amount at end of year		<u><u>7,258</u></u>	<u><u>10,245</u></u>
Reconciliation of leasehold improvements			
Carrying amount at beginning of year		39,420	32,343
Additions		1,162	13,335
Depreciation	3	<u>(7,034)</u>	<u>(6,258)</u>
Carrying amount at end of year		<u><u>33,548</u></u>	<u><u>39,420</u></u>
8 Payables			
Current			
Trade & other creditors		119,125	109,767
Payroll liabilities		92,568	99,565
Net GST payable		<u>54,165</u>	<u>39,376</u>
		<u><u>265,858</u></u>	<u><u>248,708</u></u>

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Notes to the Financial Statements
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
9 Provisions			
Current			
Employee entitlements		169,264	139,084
Non-repayable contributions		18,750	49,975
Loan payable		75,000	113,525
Undrawn loan balance		<u>(75,000)</u>	<u>(113,525)</u>
		<u>188,014</u>	<u>189,059</u>
Non-Current			
Employee entitlements		-	14,365
Property make good		<u>10,000</u>	<u>10,000</u>
		<u>10,000</u>	<u>24,365</u>
<p>As part of the lease conditions of the Melbourne premises, at the end of the lease there is the requirement to remove all fixtures & fittings and return the premises to the condition as at the commencement of the lease. The property make good provision represents the present value of the estimated expense to fulfil this lease condition.</p>			
10 Deferred revenue			
Current			
Grants received in advance – SE Support		1,202,184	1,350,155
Grants received in advance – SIP		<u>250,000</u>	<u>-</u>
		<u>1,452,184</u>	<u>1,350,155</u>
11 Reconciliation of net cash inflows from operating activities			
Surplus/(Deficit) for the year		(297,027)	58,490
Non cash items			
Depreciation	3 & 7	19,243	19,787
Fair value adjustment of SIP	2.2	(92,084)	224,060
(Gain)/Loss from sales of non-current assets		11	(2,334)
Change in assets and liabilities			
Decrease (Increase) in debtors		355,712	(61,148)
Increase (Decrease) in payables		17,150	(63,021)
Increase (Decrease) in provisions		(15,410)	29,372
Increase (Decrease) in deferred revenue		<u>102,029</u>	<u>(122,770)</u>
Net cash inflow from operating activities		<u>89,624</u>	<u>82,436</u>

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Notes to the Financial Statements
for the year ended 30 June 2016

12 Related Party Transactions

(a) Related Parties

The names of the Directors who held office during the year ended 30 June 2016 and as at the date of this report are:

		Date of Original Appointment	Date Last Reappointed
Michael James	Non-executive Director (Chair)	01/11/2008	31/07/2013
Patricia Edwards	Non-executive Director (Deputy Chair)	1/07/2010	21/08/2015
Peter Bramwell	Non-executive Director	06/04/2009	21/08/2015
David Brookes	Managing Director	25/02/2009	31/07/2013
Helen Fenney	Non-executive Director	10/09/2008	29/08/2012
Simon Gillies	Non-executive Director	27/10/2010	31/07/2013
Jason Glanville	Non-executive Director	25/02/2016	-
Matthew Pfahlert	Non-executive Director	31/10/2012	-

(b) Key Management Personnel Compensation

	2016 \$	2015 \$
Short-term employee benefits	934,688	785,091
Post-employment benefits	87,386	73,926

No fees, salaries, bonuses or other remuneration were paid to the Non-executive Directors in their capacity as Board members during the year ended 30 June 2016 and up to the date of this report.

Notes to the Financial Statements
for the year ended 30 June 2016

(c) Transactions

Any transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2016 \$	2015 \$
Professional fees paid/accrued	5,247	29,619

13 Contingent Asset – Core Funding Contracted & Applied For

The Victorian Government and the Dara Foundation have provided the majority of the Company's operating revenue under separate funding agreements, which provide funding of \$6.5 million (net of GST) over a four year period for 1st January 2013 to 31st December 2016, subject to achievement of key deliverables.

The funding agreements may be terminated by the Victorian Government and/or the Dara Foundation in the event of a material breach by the Company. In the event of termination, the Company is required to refund any unused funds.

The Company continues to pursue opportunities for future funding for its activities. Encouraging support has been received from government and philanthropic organisations.

	2016 \$	2015 \$
Funding brought forward	2,024,525	3,665,875
Funding applications at foot	1,000,000	-
Total	<u>3,024,525</u>	<u>3,665,875</u>
Funding recognised to date	1,349,683	1,641,350
Future Funding	<u>1,674,842</u>	<u>2,024,525</u>
Within 12 months	1,674,842	1,391,350
Later than 12 months	-	633,175
Future Funding	<u>1,674,842</u>	<u>2,024,525</u>

Notes to the Financial Statements
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
14 Commitments			
SIP non-repayable contributions			
Commitments for contributions at the reporting date which have not been recognised in the financial statements	2.3 & 6.1	-	-
SIP loans			
Commitments for SIP loans at the reporting date which have not been recognised in the financial statements	6.1 & 6.2	-	-
Operating leases			
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within one year		142,460	143,015
Later than one year but not later than five years		36,858	39,545
Later than five years		-	-
		<u>179,318</u>	<u>182,560</u>

15 Company Details

The Company is a company limited by guarantee, incorporated on 11 August 2008, and domiciled in Australia.

The Company's registered office and principal place of business is:

Level 2
136 Exhibition Street
Melbourne VIC 3000

Social Traders Ltd
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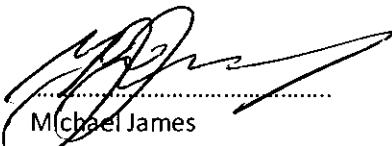
Directors' Declaration

The Directors of the Company declare that:

1. The Financial Statements and notes set out on pages 13 to 29 are in accordance with the Corporations Act 2001 and the Australian Charities and Not-for-profits Commission Act 2012, including:
 - a. giving a true and fair view of the financial position of the Company as at 30 June 2016 and of its performance for the year ended on that date; and
 - b. complying with the Australian Accounting Standards, the Corporations Regulations 2001 and the Australian Charities and Not-for-profits Commission Regulation 2013.
2. At the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Directors have received the declaration confirming the above from the Managing Director for the year ended 30 June 2016, as required by section 295A of the Corporations Act 2001.

This declaration is made and signed in accordance with a resolution of the Directors.



.....
Michael James
Chair



.....
David Brookes
Managing Director

25th August 2016



Armstrong Dubois

CHARTERED ACCOUNTANTS

Independent Auditor's Report To the Members of Social Traders Ltd

Report on financial report

We have audited the accompanying financial report of Social Traders Ltd (the company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001* and the *Australian Charities and Not-for-profit Commission Act 2012* and for such internal control as the directors determine is necessary to enable the presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with the Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-profit Commission Act 2012*.

Auditor's Opinion

In our opinion:

- a. the financial report of Social Traders Ltd is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-profit Commission Act 2012* including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii. complying with the Australian Accounting Standards, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-profits commission Regulations 2013* ; and
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.



Armstrong Dubois



David Armstrong
Partner

Melbourne
25 August 2016

Social Traders Ltd

A.B.N. 42 132 665 804

Corporate Governance Statement

The Board of Directors of Social Traders is committed to good governance. Directors acknowledge they have a duty to stakeholders to establish and maintain a framework which will achieve a high standard of governance appropriate to the Company's size and complexity.

The Company is not obliged to comply with ASX Corporate Governance Principles; however the Board of Directors has resolved to adopt the ASX Corporate Governance Principles and Recommendations where appropriate.

In March 2013, the Company registered with the Australian Charities and Not-for-profits Commission (ACNC). The Board has reviewed the ACNC's five governance standards, which took effect from 1 July 2013. The Board considers that the Company meets these standards under its corporate governance policies.

For the year ended 30 June 2016 the Company adopted the following policies to align with Principles 1 – 8 of the ASX Corporate Governance Principles and Recommendations 2014 (3rd Edition).

Principle 1: Lay solid foundations for management and oversight

The Board has a primary responsibility to establish an overarching vision and strategic direction for the Company. The Board also has a responsibility to allow management to carry out its responsibilities within broadly defined parameters without day to day intervention of the Board.

Company Policy

The Board will ensure that the majority of its time and effort is dedicated to setting the strategic direction of the Company. Where necessary, Board committees will be formed to assist in the conduct of the more detailed aspects of Board functions.

The Board will also ensure the Company's strategic direction is clearly documented as a set of objectives which are communicated to relevant stakeholders.

The Board acknowledges that it has a responsibility to create a business operating environment where management has the delegated authority to develop operating plans & procedures designed to achieve the Company's objectives.

The Managing Director is required to prepare an annual project plan and financial budget, to be approved by the Board, which are aimed at achieving the Company's objectives.

The Managing Director also has the responsibility to see that operating procedures and an organisational structure are in place, which is capable of implementing the annual project plan and financial budget at an operational level.

Standing Board committees in place are:

Human Resources & Nominations – Chair: Helen Fenney
Audit, Risk & Governance - Chair: Peter Bramwell
Business Development and Marketing - Chair: Patricia Edwards

The Board requires management & committees to report in a manner which is adequate to:

- i. monitor the conduct of the Company and Management against the annual project plan and financial budget, and;
- ii. facilitate corrective action on a timely basis where this is deemed necessary.

Board effectiveness is assessed periodically. Corrective action is taken where considered appropriate to rectify any perceived shortcomings.

Principle 2: Structure the Board to add value

The Board will be constituted in a way that adds value and is relevant to setting and achieving the Company's objectives.

Company Policy

The Board will consist of individuals who have skills and experience that are relevant to assisting the Company in setting its strategic direction and achieving its objectives. The Board has identified a set of skills which it considers are appropriate for the Board of Directors of the Company.

The independence of the Directors is monitored by the Audit, Risk & Governance Committee throughout the year.

Principle 3: Promote ethical and responsible decision making

The Board will establish a code of ethical conduct in all areas of responsibility and authority.

Company Policy

Board members and Company employees shall:

- a. act honestly and in good faith at all times
 - b. be impartial and treat people fairly
 - c. act in the best interests of the Company
 - d. declare all interests, real and perceived, pecuniary and non-pecuniary, that could result in a conflict between personal and organisational priorities
 - e. be diligent, attend meetings and devote sufficient time to preparation for meetings to allow for full and appropriate participation in decision making
 - f. be diligent in decision making
 - g. avoid conduct un-becoming
 - h. maintain confidentiality
 - i. not make improper use of information obtained in the course of their duties
 - j. abide by decisions
 - k. recognise and act in accordance with the fiduciary nature of their duties
 - l. not harass anyone or discriminate on the grounds of sex, sexual preference, age, marital status, pregnancy, the state of being a parent, childless or de facto spouse, race, colour, lawful religious or political belief or activity, and impairment.
-

Principle 4: Safeguard integrity in financial reporting

The Board will ensure policies, procedures and safeguards are in place which ensure the integrity of the preparation, review and reporting of financial results.

Company Policy

The Company employs external accountants as required to assist in the preparation and review of key financial reports, including an annual report and annual financial statements. The Board's Audit, Risk & Governance Committee meets as required to review financial performance and prepare reports for the Board.

The Board's Audit, Risk & Governance Committee is responsible for the review of the Company's annual financial statements. The Company has appointed auditors who are responsible for an annual audit of the Company's accounts.

Principle 5: Make timely and balanced disclosure

The Company will disclose relevant information to statutory authorities and funding partners on a timely basis.

Company Policy

A reporting framework is in place and it is the responsibility of the Managing Director to ensure that the relevant announcements and Company reports are made within the required timeframes.

Principle 6: Respect the rights of stakeholders

Stakeholders have the right to be informed about the Company's activities in a timely and transparent manner.

Company Policy

As well as providing corporate and financial information to statutory authorities, the Company ensures it consults and communicates regularly with its broad range of stakeholders. Information dissemination takes place through a variety of channels.

Principle 7: Recognise and manage risk

Risks that may impact negatively on the Company are identified and appropriate risk mitigation procedures are put in place.

Company Policy

The Board's Audit, Risk & Governance Committee is responsible for the identification of risks which may have a significant negative impact on the Company. This Committee also has the responsibility to recommend the adoption of appropriate risk mitigation procedures to the Board. The Company's risk management program is reviewed each year. The Company undertakes regular internal audits as part of its internal control processes.

Principle 8: Remunerate fairly and responsibly

That Company staff are remunerated fairly and responsibly.

Company Policy

The Company has established an Employee Policies and Procedures manual which provides information for employees about working at the Company, OH&S policy, Employee Code of Conduct and performance review and professional development. These policies and procedures are reviewed periodically by the Board's Human Resources & Nominations Committee which advises on any adaptations and/or recommendations for the Board's determination.

The Board's Human Resources & Nominations Committee is responsible for the assessment of performance and review of the remuneration of the Company's Managing Director and provides its recommendations to the Board for determination.

Review of Governance

Corporate Governance policies and procedures are reviewed periodically by the Audit, Risk & Governance Committee.